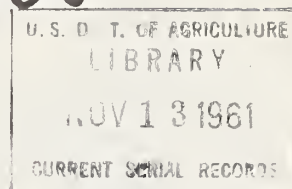


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Milk Distributors'



**Sales and Costs
APRIL-JUNE 1961**

U.S. DEPARTMENT OF AGRICULTURE
Economic Research Service

MDSC No. 19

MILK DISTRIBUTORS' SALES AND COSTS

April - June 1961

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Economic Research Service

:
: Under present plans this report will be the last issue of a series :
: based upon information obtained from distributors of fluid milk and :
: cream products. These distributors use a uniform accounting system :
: and subscribe to a cost comparison service. This service agency :
: provides the Department with data for analysis. Data reported include: :
: Costs and quantities of raw milk and other raw materials; prices and :
: quantities of products sold; and operating costs. :
: :
: The firms selected are privately owned, and chiefly single-plants, :
: characteristics considered typical. Very small firms, very large :
: firms, national chains, and producer-distributors are not included. :
:

SALES AND COSTS

In the April-June quarter of 1961, sales value of products sold by fluid milk distributors was unchanged from the previous quarter but a little higher than a year earlier. Costs of materials for processing and resale were down both seasonally and from a year earlier. Operating costs (up from the previous quarter and last year) were at an all-time high for the 9 1/2 years covered by these reports. Net margin was a little lower than the previous quarter.

Net Sales Receipts

Net sales receipts in the April-June quarter of 1961 were \$11.35 per 100 pounds of milk and cream processed -- the same as the previous quarter and 18 cents higher than the April-June quarter 1960 (fig. 1). Net sales receipts for milk declined seasonally, but this was offset by increases in net sales receipts for other dairy items such as ice cream, cottage cheese, and butter. Net sales receipts for first half-years have varied little over the past 6 years; in 1961 they were about 2 percent higher than in the same period of 1956.

Cost of Materials for Processing and Resale

Cost of materials for processing and resale was \$5.86 per 100 pounds of milk and cream processed in April-June 1961 -- seasonally lower by 9 cents than in the previous quarter but higher by 9 cents than in April-June 1960. In the April-June quarter of 1961, the cost of raw milk and cream was 28 cents lower than in the January-March quarter; this is about the same amount as the decrease between the first and second quarters of the previous 5 years. During the 6-year period, for the second quarter, cost of raw milk and cream, per 100 pounds of milk and cream processed, has ranged narrowly between \$4.82 and \$4.88.

October 1961

Table 1.--COSTS AND MARGINS FOR SELECTED DAIRY FIRMS: Per 100 pounds of milk and cream processed, for years 1952-60, and for the 5 most recent quarters

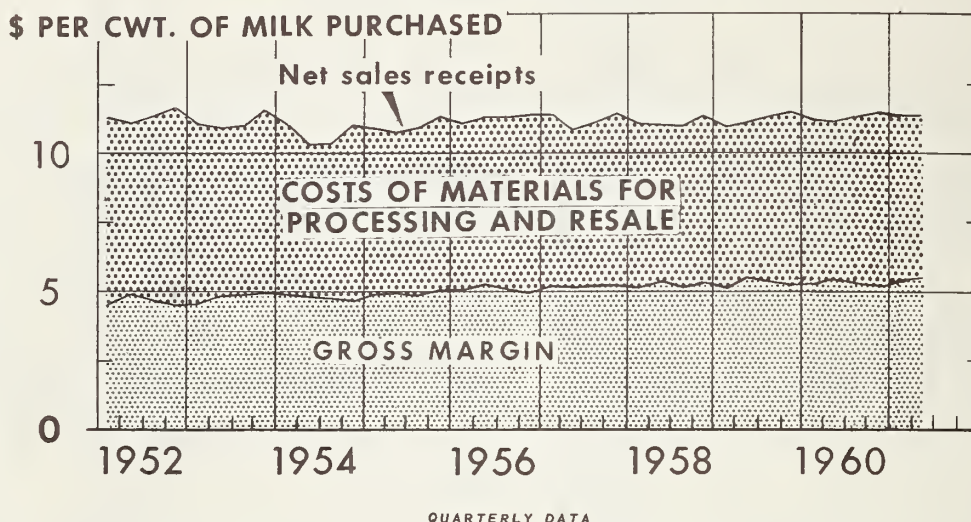
Account	Yearly average										1961			
	1952	1953	1954	1955	1956	1957	1958	1959	1960	Apr. - June	July - Sept.	Oct. - Dec.	Jan. - Mar.	Apr. - June
Net sales receipts 1/	11.32	11.12	10.69	10.95	11.22	11.15	11.05	11.16	11.23	11.17	11.23	11.41	11.35	11.35
Cost of materials for processing and resale:														
Raw milk and cream	5.85	5.43	5.07	5.12	5.39	5.23	5.13	5.10	5.11	4.88	5.03	5.34	5.13	4.85
Other	.82	.86	.83	.89	.76	.77	.70	.80	.87	.89	.93	.91	.82	1.01
Total	6.67	6.29	5.90	6.01	6.15	6.00	5.83	5.90	5.98	5.77	5.96	6.25	5.95	5.86
Gross margins	4.65	4.83	4.79	4.94	5.03	5.15	5.22	5.26	5.27	5.40	5.27	5.16	5.40	5.49
Operating costs:														
Salaries, wages, and commissions 2/	2.15	2.19	2.21	2.28	2.43	2.50	2.56	2.61	2.62	2.64	2.64	2.58	2.67	2.68
Containers	.60	.62	.65	.70	.72	.71	.70	.69	.66	.65	.67	.65	.66	.68
Operating supplies	.30	.32	.35	.32	.28	.29	.29	.29	.30	.30	.30	.30	.30	.29
Repairs, rent, and depreciation	.50	.52	.57	.60	.64	.67	.68	.67	.66	.65	.67	.65	.67	.69
Taxes	.06	.06	.06	.06	.05	.06	.06	.06	.06	.06	.06	.06	.06	.06
Insurance	.02	.02	.03	.04	.04	.04	.04	.04	.05	.05	.05	.05	.05	.06
Services	.16	.19	.19	.18	.17	.17	.17	.17	.18	.17	.20	.18	.16	.19
Advertising	.15	.15	.16	.18	.19	.18	.18	.18	.18	.18	.19	.20	.18	.19
General	.15	.13	.13	.14	.16	.15	.16	.16	.15	.15	.15	.18	.15	.17
Total	4.09	4.20	4.35	4.50	4.68	4.77	4.84	4.87	4.86	4.85	4.92	4.85	4.90	5.01
Net margins 3/	.56	.63	.44	.44	.35	.38	.38	.39	.41	.55	.35	.31	.50	.48
Firms reporting	43	51	75	83	80	80	80	80	80	80	80	80	80	80

1/ Gross sales receipts less discounts, allowances, and returns.

2/ Includes State unemployment, Federal old age, workmens' compensation, and employee benefits.

3/ Net returns to owners before income taxes.

NET SALES, COST OF MATERIALS, AND GROSS MARGIN



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Figure 1

Operating Costs

Operating costs of \$5.01 per 100 pounds of milk and cream processed were at a new high for any quarter for this series (fig. 2). The increase of 16 cents (3.3 percent) from April-June 1960 was the largest year-to-year change; the increase of 11 cents from the January-March 1961 was about seasonal.

The pattern of the increases in costs in April-June 1961 was somewhat different than in the past. Costs for salaries, wages, and commissions usually have accounted for most of the increased costs. During 1952-60, personnel costs accounted for 60 percent of the total increase in costs. For the past year, these personnel costs were only 25 percent of the total increase but costs for containers, advertising, purchased services, and facilities (rent, repairs, and depreciation) were all substantially higher.

The net margin of 48 cents was about average for the April-June quarter.

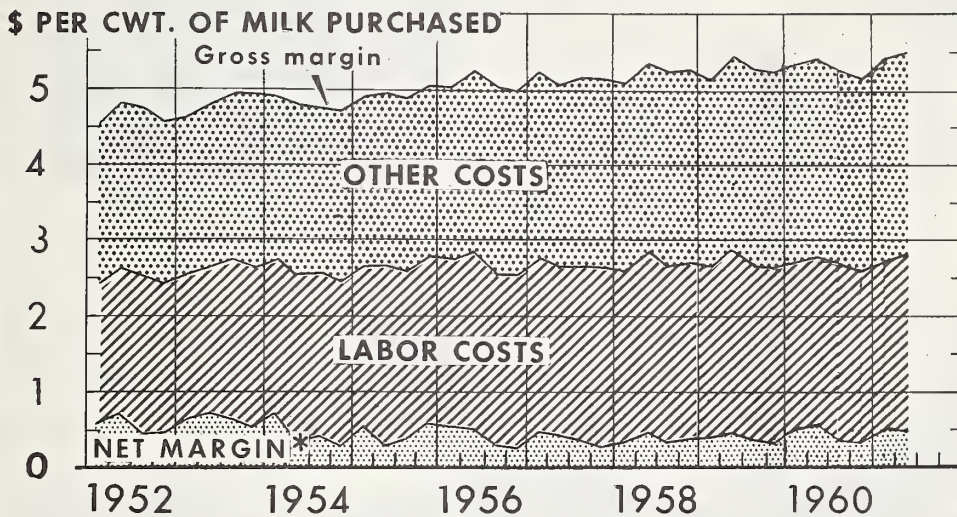
WHOLESALE SALES -- OUTLETS, PRODUCT, AND CONTAINERS

Over two-thirds of the total product sold on wholesale milk routes of six selected fluid milk distributors went to stores; other outlets in order of importance were eating places, institutions, and schools.

Homogenized milk was by far the most important product, accounting for over three-fourths of the total. The other major products, in order of importance, were special milk, cream and cream-milk mixtures, and buttermilk. Fifty percent of

Fluid Milk Processing-Distributing Firms

OPERATING COSTS



* BEFORE INCOME TAX.

QUARTERLY DATA.

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Figure 2

the containers used for homogenized milk were 1/2 pints -- but only 12 percent of the homogenized milk went into this sized container.

These are some of the findings from a special survey made of the wholesale operations of six fluid milk distributing plants. Two of the plants are in the Mid-Atlantic area, two in the East North Central area, one in the Mid-South, and one in the Southeast. Data were obtained from five plants for January or February operations, and from one plant for July operations.

The survey provided information regarding kind of sales outlets for dairy products, products consumed, and types of containers going to the outlets.

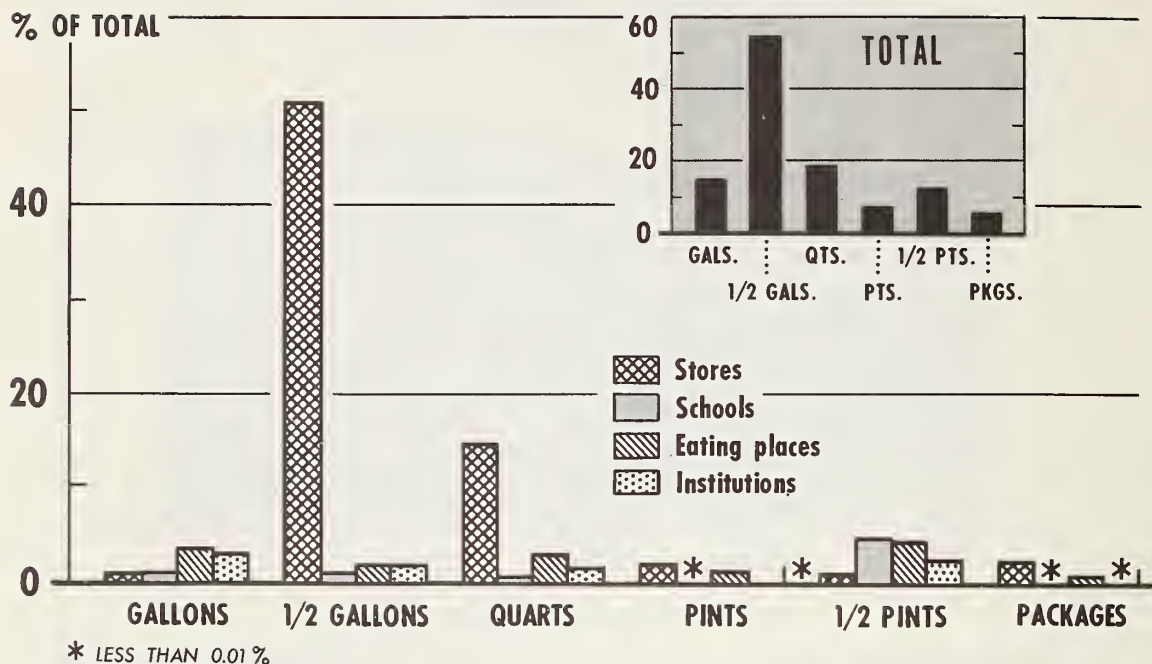
Wholesale Outlets

Wholesale outlets were classified in four groups: (1) Stores -- places of business whose primary function is sales of consumer products for off-site consumption; (2) schools -- both public and private schools for children; (3) eating places -- places of business whose primary function is sales of prepared food for on-site consumption; (4) institutions -- places where people are fed as an incident to being there for some other purpose, including, but not limited to, hospitals, jails and prisons, orphanages, rest homes, and military messes.

Stores were by far the most important outlet for wholesale operations of the plants surveyed, accounting for 70.6 percent of the total (fig. 3). Sales to eating places were 13.6 percent, to institutions 9.1 percent, and to schools 6.5 percent. The remaining 0.2 percent went to such places as rectories or workers at construction sites.

WHOLESALE CONTAINERS AND OUTLETS

Amount of Product Sold by 6 Fluid Milk Plants, 1961



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Figure 3

All six of the plants had both specialized and mixed wholesale routes. All firms had at least one route that specialized in "downtown" sales to restaurants, cafeterias, and hotels. Plants with military contracts had special routes for delivery to the commissary (stores) and mess (institutions); special routes were also used for sales to schools and retail grocery chain stores when the dairy had a major contract for these outlets. The special routes usually delivered to only the outlets which were concentrated in a particular area; outlying eating places, schools, and chain stores were supplied from mixed routes.

Products Sold at Wholesale

Homogenized milk accounted for 77.3 percent of the pounds of all products sold on the wholesale milk routes (fig. 4). No other single product was of major importance. Three products -- special milk, cream, and cream-milk mixtures (half-and-half), and buttermilk each represented between 4 and 5 percent; manufactured dairy products, chiefly cottage cheese, 2.7 percent; nondairy products, 1.8 percent. The least important product was creamline milk, only 0.3 percent of the total.

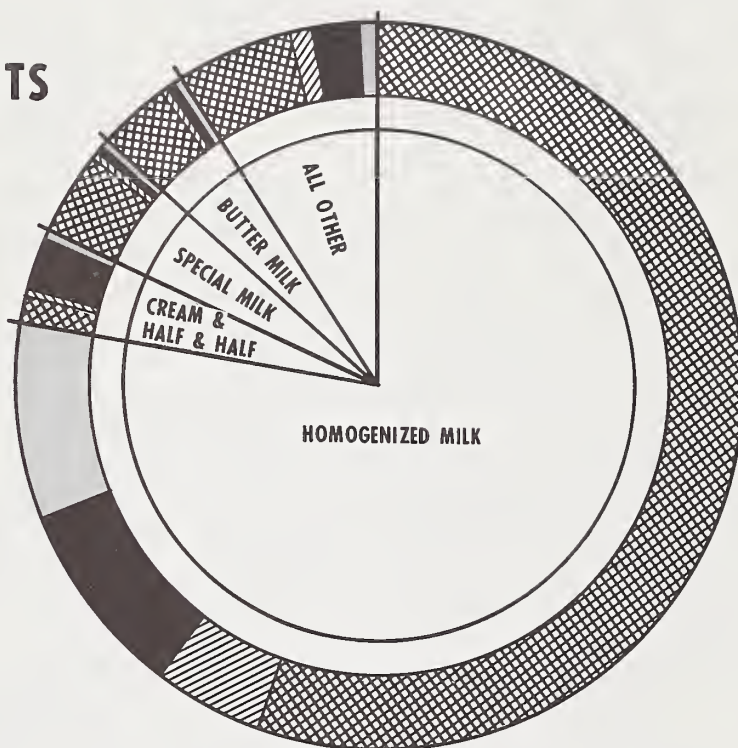
Stores were the major outlet for each of the products, except for cream and cream-milk mixtures. Nearly all of the sales to schools and institutions were homogenized milk. Homogenized milk represented over two-thirds of the sales to eating places; but this outlet took half of all sales of cream and cream-milk mixtures.

Homogenized Milk-Outlets and Containers

Sales in half-gallon containers to stores accounted for 57.9 percent of all sales of homogenized milk; sales in all container sizes to the store outlets represented

WHOLESALE PRODUCTS AND OUTLETS

Amount of Product Sold by
6 Fluid Milk Plants, 1961



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Figure 4

71.5 percent of the total (fig. 5). Eating places took 11.4 percent of the total, institutions 10.4 percent, and schools 6.8 percent.

Among container sizes, half-gallons, to all outlets were used for 61.5 percent of the total. Following in importance were: Quarts -- 14.9 percent; half-pints -- 13.3 percent; gallons -- 8.2 percent; half-pints -- 13.3 percent; gallons -- 8.2 percent; and pints -- 2.5 percent (fig. 6).

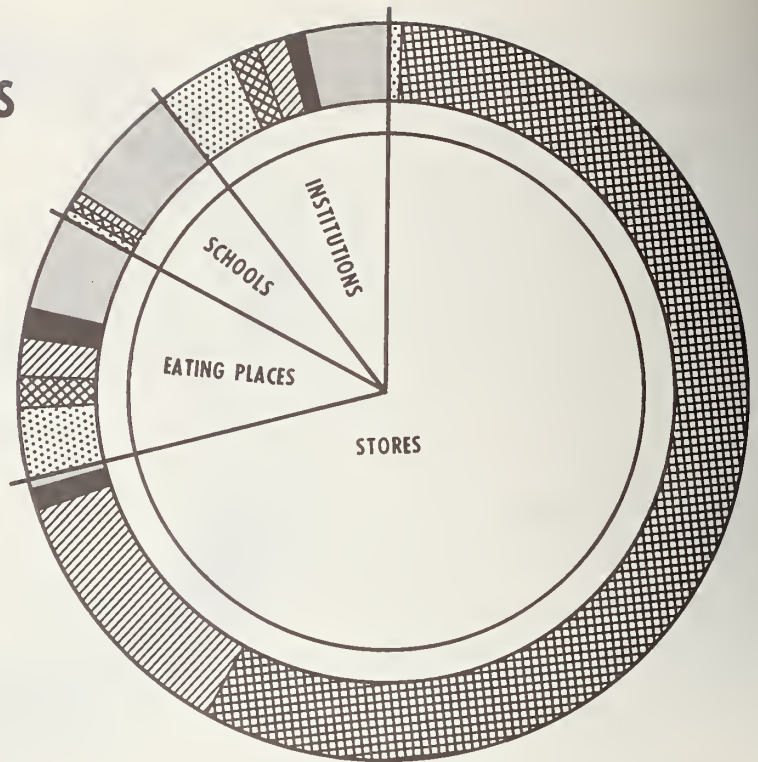
In terms of number of units sold, half-pints represented slightly more than half of the total; half-gallons, about 30 percent; and quarts, about 14 percent.

Gallons of homogenized milk were sold in 5-gallon dispenser cans almost entirely to eating places and institutions. Nearly all half-gallons and quarts were sold to stores, with minor amounts going to eating places and institutions. Half-pints were sold to schools, eating places, and institutions, with schools getting more than two-fifths of the total.

Previously published data in this series (see MDSC-15) showed that 42.5 percent of total sales of fluid milk and cream was retail and 57.5 percent, wholesale. These data applied to information obtained in the survey indicate the outlets consuming fluid milk and cream as: Homes, 83.0 percent; schools, 3.8 percent; eating places, 7.7 percent; and institutions, 5.5 percent. This assumes plants in the special survey are representative.

WHOLESALE OUTLETS AND CONTAINERS

Amount of Homogenized Milk Sold
by 6 Fluid Milk Plants, 1961



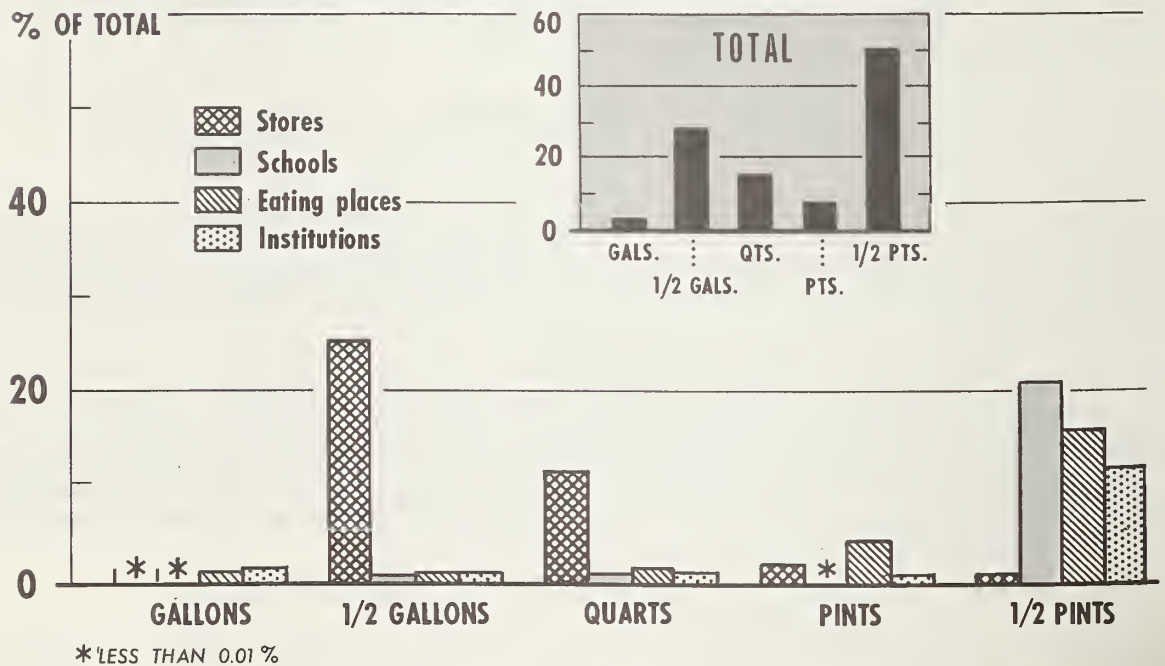
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Figure 5

WHOLESALE CONTAINERS AND OUTLETS

Units of Homogenized Milk Sold by 6 Fluid Milk Plants, 1961



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Figure 6